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SUBJECT: CASPIAN SEA RESOURCES REMAIN AN ITEM OF CONTENTION BETWEEN IRAN, RUSSIA AND CENTRAL ASIA

CLASSIFIED BY: Ramin Asgard, Acting Director, Iran Regional Presence Office, Department of State.

REASON: 1.4 (d)

1.(S) Summary: Since the break-up of the Soviet Union, "equitable" distribution of Caspian Sea resources has been an item of contention between the five littoral states: Kazakhstan, Turkmenistan, Iran, Russia and Azerbaijan.

According to press articles, the Caspian is said to contain some 12% of the world's oil reserves, as well as huge deposits of natural gas. Iran hosted the 22nd meeting of the special working group which is tasked with producing the convention for the legal regime of the Caspian Sea, April 15-16. (Note: the first meeting was held in 1991. Endnote) The five states were unable to come to a consensus in this latest round of meetings.

IRPoffs have been told by several contacts that if the US government would like to send a "positive" signal to Iran, it could publicly back the split of the sea into five "equal" portions. End Summary.

2.(SBU) Tehran hosted the 22nd meeting of the Caspian Sea special working group, tasked with establishing a "legal regime" for the sea that is acceptable to all parties, April 15-16. In past treaties signed between Iran and the Soviet Union in the 1920s and 1940s, the two parties designated the Caspian as a lake; agreeing to divide the body of water into two parts and commonly share resources - which at the time was mostly fishing.

(Note: If a body of water is labeled a "sea" then international treaties come into play, obligating access permits to foreign vessels - whereas if a body of water is designated a "lake," there are no such obligations. Endnote) Kazakhstan, Turkmenistan and Azerbaijan, do not recognize the earlier treaties between Iran and the Soviet Union, and the five states have been attempting to "equitably" resolve issues pertaining to energy resources, fishing rights and security since 1991.

3.(SBU) According to press articles, the Caspian is said to contain some 12% of the world's oil reserves, as well as huge deposits of natural gas. Furthermore, security and military rights are a topic of much concern. In October of 2007, the five States agreed not to let foreign militaries use Caspian waters as a launching point for any potential attacks. Iranian Commander Seyyed Mahmood Mousavi called for the prevention of any "alien" presence in the Caspian Sea April 18, saying that the littoral states do not want the Caspian to "become like the Persian Gulf." (Note. The article did not specify if Mousavi is an IRGC or Armed Forces commander. Endnote) To date, the five parties have only been able to agree on quotas for sturgeon fishing and have signed the Caspian Environment Protection Convention.

Options for division

4.(SBU) After failing to convince the other four members to stay with the original 50/50 split - forcing Kazakhstan, Turkmenistan, Azerbaijan and Russia to share half of the Caspian resources, Iran "compromised" pushing for an "equal" 1/5 division of the Caspian among the five countries. Kazakhstan, Turkmenistan, and Azerbaijan have consistently insisted that each state should be awarded a proportionate share of the Caspian based on its coastline. Under this scheme, Iran would only be eligible for roughly 11%-13% of the Caspian. Russia initially suggested a more complex equation of dividing the seabed (and the mineral resources that go along with it) along a sectoral line and sharing the surface (a.k.a. the fishing rights) commonly - with each state receiving an exclusive zone and sharing the center. According to press reports, Russia now favors the same plan as the former Soviet States -- dividing the Caspian in accordance with coastline boundaries.

5.(SBU) The former Soviet States have signed a host of bilateral treaties amongst themselves, and with Russia --demarcating borders and apportioning resources; none of which are recognized by Iran. Iran is insistent that a single, multilateral agreement between all five parties be signed. In a newsletter to clients April 20, an Iranian consultant and political/economic analyst claimed that Foreign Minister Mottaki has hinted at the possibility of Iran accepting a break-up that would give it rights over some 11% of the sea. However, continued the analyst, many Iranian MPs want at least a five-way break-up and, at most, some revision of the 1940s treaty with the USSR which stipulated the sea's resources were "common" between the two countries. On January 20, according to press reports, several MPs complained that the government was not "doing enough" on the Caspian issue.

6.(S) Comment: Given the natural resources and security concerns, it is unlikely that the five littoral states will reach a resolution on the Caspian issue in the near future. IRPoffs have been told by several Iranian contacts that if the USG "is ever looking to send a positive signal to Iran," it could publicly support "equitable" distribution of the Caspian - granting each state 20% of the Sea, which is more than reasonable in the minds of many Iranians. An equal distribution of Caspian resources would still represent an overall 30% loss for Iran as compared to the original treaties signed with the Soviet Union.

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